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### **Ariana – Q3 Kiziltepe preliminary production results, and increased throughput on the way...**

AIM-listed Turkish gold-producer Ariana Resources (AAU) has released its Q3 preliminary production results from Kiziltepe this morning and it seems to me that right now the company can do little wrong. The bad news (which we already knew) is that mining has shifted from the higher grade Arzu South pit to the lower grade Arzu North and Derya pits. But ore throughput at the plant hit a new record and plans to increase throughput are on the way...

Q3 production came in at 5,125 oz gold and 63,339 oz silver, which brings gold production for the first nine months up to 14,933 oz. With guidance of 18,000 oz for the full year that means that Kiziltepe has to chuck out just 3,067 oz in Q4 to meet target and that seems to me to be a shoe-in. In other words, I'd say Ariana is on track to beat its target comfortably and is sticking to the old adage of underpromising and overdelivering. Good news. Throughput hit a new high point in the quarter, with the Kiziltepe plant processing at a rate of almost 230,000 tonnes per annum – 53% above the feasibility designed rate. So despite the drop in feed grade from 3.2 g/t to 2.63 g/t, gold production held up extremely well, almost matching Q1 and well above Q2's 4,679 oz gold. With Arzu South now departed (for now, but watch this space) during August, I would imagine that the feed grade will drop further over the next few quarters and that will affect gold production to some extent. But Ariana tells us that:

**despite the expected reduction in grade, this increased tonnage coupled with continued high mill throughput will ensure output is maintained at the highest possible levels**

Will one fully compensate for the other? Maybe, but we are also told of stockpiled over 10 months of mill-feed at average throughput rates so my guess is that we will see perhaps a further 5,000 oz this quarter. Much more importantly, having long-considered a mill expansion to increase throughput, we are now told that:

**the joint venture team is advancing towards a proposed mill expansion which provides for an increase in throughput to 400,000 to 500,000 tonnes per annum**

With a more-or-less doubling of mill throughput, I would suggest that Kiziltepe is set for a decent increase in production going forward, and this development would open up the possibility of processing ore from other satellite pits. All very good news indeed.

The big news we are all waiting for is, of course, progress on the inclusion of Ozaltin into the joint venture with Ariana and current partner Proccea – and the associated special dividend which I reckon will come in at around \$10 million or 0.75p per Ariana share, give or take. On that there was nothing this morning, but I suggest patience will be rewarded shortly. In the meantime, this morning's news offers up a very tasty *hors d'oeuvre* and leaves me completely comfortable with my over-sized holding at 6.1p (up 2.5% this morning) as I continue to look to 7.5p to take some more profits and a 10p eventual target. But as before, if the gold price goes on another run (which I fully expect) and Kerim Sener and his team continue to deliver, there should be more to come even after that.

**For now, very strong hold.**